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SUPPORT

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Audit reports

Note by the Administrator

SUMMARY

The present note summarizes significant observations of the external auditors of the executing agencies on their 1989 accounts relating to funds allocated to them by UNDP. Document DP/1991/52/Add.1 contains the audited accounts and audit reports of the executing agencies as at 31 December 1989.

Document DP/1991/48 contains the comments of the Administrator concerning the report of the United Nations Board of Auditors on the financial statements of the United Nations Development Programme for the year ended 31 December 1989. In particular, it provides further information on follow-up action taken in response to Governing Council decision 90/48 of 22 June 1990 and General Assembly resolution 45/235 of 21 December 1990.

INTRODUCTION

1. The external audit reports and audited accounts of executing agencies relating to funds allocated to them by the United Nations Development Programme (UNDP) as at 31 December 1989, submitted in accordance with regulation 17.1 of the UNDP Financial Regulations, are contained in the addendum to the present document (DP/1991/52/Add.1), together with a summary of the audited status of funds submitted by all executing agencies as at 31 December 1989. Sections I to XX of the present document contain the Administrator's comments on significant observations made in the audit reports of those agencies.

I. UNITED NATIONS DEVELOPMENT PROGRAMME

2. The Administrator's comments concerning the report of the United Nations Board of Auditors are contained in document DP/1991/48.

II. UNITED NATIONS

3. In the course of its audit of the United Nations, the United Nations Board of Auditors examined the administration of technical cooperation activities carried out by the Department of Technical Cooperation for Development (DTCD). The Board's findings are reflected in paragraphs 162 to 175 of its report to the General Assembly (Official Records of the General Assembly, Forty-fifth session, Supplement No. 5 (A/45/5)).

4. The Board recommended that a comprehensive review of all operationally completed projects should be carried out in order to determine whether final revisions are necessary. Furthermore, the DTCD Financial Management and Budgetary Control Service should continue to improve the reporting procedures and monitoring process.

III. INTERNATIONAL TRADE CENTRE

5. The United Nations Board of Auditors issued an unqualified opinion on the financial statements as at 31 December 1989.

IV. INTERNATIONAL LABOUR ORGANISATION

6. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1989 and made no further observations.

V. FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

7. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1989. However, the auditors made certain observations in respect of unliquidated obligations and the reconciliation of accounts of the Food and Agriculture Organization of the United Nations with records of UNDP headquarters. The auditors' observations may be summarized as follows:

(a) A review of unliquidated obligations at 31 December 1989 resulted in a number of obligations being cancelled. This in turn resulted in a reduction in programme expenditure and programme support costs of $2,395,987 and $311,478, respectively.

The auditors recommended that obligations be reviewed on a more timely basis.

(b) Reconciliation of the UNDP Operating Fund Account (OFA) was not performed regularly during 1989. This resulted in a cumulative discrepancy between the agency and UNDP of $1.2 million. Subsequent to 31 December 1989, the OFA has been reconciled and several coding errors corrected.

The auditors have recommended that, in future, reconciliations should be performed on a more timely basis.

VI. UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION

8. The external auditors issued an unqualified opinion on the financial statements. The auditors' conclusions may be summarized as follows:

(a) In compliance with the request of the UNDP Governing Council contained in paragraph 10 of its decision 89/61 of 30 June 1989, a review of the current project budgeting procedures was conducted. The auditors concluded that UNDP guidelines were being adhered to but that there was a need for clarification of the budget revision and rephasing instructions;

(b) The criteria for recording unliquidated obligations are generally respected. The accounting system that has been established is designed to prevent systematic abuse of these criteria;

(c) The recording and reporting of forward commitments needs to be improved, particularly in regard to project personnel costs;

(d) The recent backlog in processing project inventory is being resolved;

(e) The agency's accounting procedures in respect of financially completed projects have been revised in accordance with UNDP accounting practices.

VII. INTERNATIONAL CIVIL AVIATION ORGANIZATION

9. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1989 and made no further observations.

VIII. WORLD HEALTH ORGANIZATION

10. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1989 and made no further observations.

IX. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK)

11. The external auditors reported that the financial statements represented fairly in all material respects the status of funds and expenditures of the Bank as the executing agency for certain United Nations Development Programme projects. Although the financial statements were not qualified, there were certain operational issues that were noted by the auditors that required follow-up action by the Bank. The Administrator is pleased to note that the management has taken action to remedy the weaknesses in internal controls.

12. The following were the most notable of the issues reported by the auditors:

(a) Several errors were noted in the recording of budget revisions to the general ledger. However, since UNDP accounting policies specify that fund balances are increased by actual cash-drawings and not by allocations to projects, these errors had no impact on the financial statements;

(b) The Bank's project staff experience difficulties in managing project expenditure because of the low quality of information in the monthly project delivery reports prepared by the Trust Funds Division of the Bank. Problems with the quality of these reports have included:

(i) Slow posting of disbursements;

(ii) Mispostings of disbursements to incorrect budget lines;

(iii) Inclusion of erroneous figures within these reports.

The auditors recommended that the management establish clear responsibility for and strengthen the procedures for the preparation of the project delivery reports to ensure that accurate information is produced.

X. INTERNATIONAL FINANCE CORPORATION

13. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1989 and made no further observations.

XI. UNIVERSAL POSTAL UNION

14. The external auditors of the Universal Postal Union (UPU) issued an unqualified opinion on the financial statements at 31 December 1989. However, the auditors expressed reservations in respect of the difference of $373,484 between the final balance of the Status of Funds Statement shown by UPU and the balance shown by UNDP on its Operating Fund Statement 89-12. The Administrator is pleased to note that the difference has subsequently been reconciled and resolved between UNDP and UPU.

XII. INTERNATIONAL TELECOMMUNICATION UNION

15. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1989.

XIII. WORLD METEOROLOGICAL ORGANIZATION

16. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1989.

XIV. INTERNATIONAL MARITIME ORGANIZATION

17. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1989.

XV. WORLD INTELLECTUAL PROPERTY ORGANIZATION

18. The external auditors issued an unqualified opinion on the financial statements as at 31 December 1989.

XVI. UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

19. The external auditors issued an unqualified opinion on the financial statements as at December 1989.

XVII. INTERNATIONAL ATOMIC ENERGY AGENCY

20. The external auditors issued an unqualified opinion on the financial statements as at December 1989 and made no further observations.

XVIII. WORLD TOURISM ORGANIZATION

21. The external auditors issued an unqualified opinion on the financial statements as at December 1989.

XIX. AFRICAN DEVELOPMENT BANK

22. The external auditors issued an unqualified opinion on the financial statements at 31 December 1989 and made no further observations.

XX. ASIAN DEVELOPMENT BANK

23. The external auditors issued an unqualified opinion on the financial statements at 31 December 1989. The following is a summary of their observations and conclusions:

(a) UNDP-financed projects assigned to the Asian Development Bank as an executing agency were administered on a regular and timely basis;

(b) The Bank takes appropriate follow-up action, to the extent practicable, on problems identified in consultants' progress reports;

(c) The Bank complies with its established procurement procedures in relation to the hiring of consultants;

(d) No material weaknesses were identified in the system of internal accounting control.